

## Message Text

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FOLLOWING REPEAT MOSCOW 17572 ACTION SECSTATE INFO USDOC

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C O N F I D E N T I A L MOSCOW 17572

E.O. 11652: GDS

TAGS: EFIN UR COMECON

SUBJ: SOVIET AND CEMA BANK ACTIVITIES IN EURODOLLAR MARKETS

REF: MOSCOW 16721

1. SUMMARY, AMERICAN BANKING SOURCES HAVE ADVISED THAT

RECENT SOVIET BANK FOR FOREIGN TRADE ATTEMPT TO RAISE DOLS 100 MILLION IN LONDON EURODOLLAR MARKET HAS BEEN POSTPONED BECAUSE OF DISPUTE OVER INTEREST RATE. PROPOSAL MAY HAVE BEEN MERELY SOVIET TESTING OPERATION AND NEW SOVIET APPROACHES EXPECTED EARLY IN 1975 WHEN MARKET LESS TIGHT. FURTHER CONFIRMATION RECEIVED THAT CEMA INVESTMENT BANK WILL ENTER EURODOLLAR MARKET IN 1975 IN CONNECTION WITH ORENBURG NATURAL GAS PROJECT. CEMA BANK FOR INTERNATIONAL ECONOMIC COOPERATION MAY ALSO ENTER MARKET IN 1975 FOR MEDIUM-TERM LOANS. END SUMMARY

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2. VISITING MARINE MIDLAND REPS (VP MICHAEL WIEGAND AND

NORMAN HANSEN) HAVE ADVISED EMBOFFS THAT SOVIETS BANK FOR FOREIGN TRADE HAS DROPPED, AT LEAST FOR TIME BEING, ITS PLANS RAISE DOLLARS 100 MILLION ON EURODOLLAR MARKET. OSTENSIBLE REASON FOR FOREIGN TRADE BANK'S DECISION WAS HIGH INTEREST RATE REQUESTED BY BANKING GROUP HEADED BY NATIONAL WESTMINSTER BANK OF LONDON (NATWEST) . ACCORDING TO WIEGAND, SOVIETS HAD DEMANDED THAT MAXIMUM RATE ON LOAN BE NO HIGHER THAN SEVEN-EIGHTS OF POINT OVER LONDON INTER-BANK OFFER RATE (LIBOR) WHILE NATWEST GROUP WAS OFFERING 1.5 PERCENT OVER LIBOR. MARINE MIDLAND REPS INDICATED SOME SCEPTICISM THAT SOVIETS EVER INTENDED TO TAKE UP EURODOLLAR LOAN AND USED THIS TENTATIVE VENTURE SIMPLY TO TEST MARKET. THEY SAID SOVIETS APPARENTLY BELIEVE THAT WITHIN THREE-FOUR MONTHS, BANKS WILL HAVE EXCESS LENDING CAPACITY AND WILL BE BEGGING SOVIETS TO TAKE MONEY AT ALMOST ANY RATE.

3. WIEGAND WAS HIGHLY CRITICAL OF PRACTICES OF CERTAIN (UNNAMED) US BANKS WHICH, IN THEIR ENTHUSIASM DEVELOP BUSINESS WITH SOVIETS, AGREE TO RIDICULOUSLY LOW INTEREST RATES AND THUS MAKE IT IMPOSSIBLE FOR OTHER BANKS TO DO REASONABLE BUSINESS HERE. HE DID NOT GIVE IMPRESSION THAT MARINE MIDLAND INTENDED MAKE ANY CONCESSIONS IN ITS DEALING WITH SOVIETS BUT RATHER PLANNED TREAT USSR AS ANY OTHER COMMERCIAL MARKET.

4. SOVIET FOREIGN TRADE BANK TESTING OPERATION MAY ALSO HAVE BEEN RELATED TO FUTURE PLANS FOR EURODOLLAR OPERATIONS BY CEMA INTERNATIONAL INVESTMENT BANK (IIB), WHICH HAS BEEN REPORTED PLANNING TO ENTER MARKET NEXT YEAR IN CONNECTION WITH DEVELOPMENT OF NATURAL GAS PROJECT AT ORENBURG IN USSR (REFTEL). DURING TALKS NOV 19 WITH IIB DEPUTY DIRECTOR KOBAK, MARINE MIDLAND REPS RECEIVED FURTHER CONFIRMATION THAT IIB WILL MOVE FORWARD IN EURODOLLAR MARKET--EITHER IN LONDON OR PARIS, POSSIBLY BOTH--EARLY NEXT YEAR. NATURAL GAS PROJECTS, AND PARTICULARLY ORENBURG WERE MENTIONED AS MAIN REASON.

5. MARINE MIDLAND REPS ALSO LEARNED THAT CEMA INTERNATIONAL BANK FOR ECONOMIC COOPERATION (EBEC) MAY TRY TO OBTAIN SOME MEDIUM-TERM LOANS (ABOUT FIVE YEARS) IN EURODOLLAR MARKET DURING NEXT SEVERAL MONTHS. THIS WILL BE UNUSUAL MOVE FOR IBEC WHICH IS USUALLY INVOLVED IN SHORT AND VERY SHORT-TERM  
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EURODOLLAR OPERATIONS.  
STOESSEL UNQTE INGERSOLL

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